

**FORC QUARTERLY JOURNAL
OF
INSURANCE LAW AND REGULATION**

Winter 1997 December 7, 1997 Vol. IX, Edition IV

24-HOUR COVERAGE: THE OREGON PILOT

by
Robert E. Joseph, Esq.
(503) 796-2989

Oregon's first foray into the largely uncharted waters of 24-hour, or "seamless" health/workers' compensation coverage, occurred in 1993 when the Oregon legislature enacted the "Combined Health Coverage Pilot Program."² This legislation represented a five-year test under which health insurance and workers' compensation providers created plans that combined standard health care coverage with the medical portion of mandatory workers' compensation coverage. Ideally, the end product would provide continuous, comprehensive, and simplified medical coverage for the injured worker, regardless of whether the injury occurred on or off the job.

Initial response to the program by insurers and employers alike was very positive. The program was seen by many as an innovative approach to curtailing the alarming rise in workers' compensation rates and simplifying the claims administration process. Seven pilot plans were approved in 1994. Within a year, two of the plans were withdrawn by their sponsors, and it now appears that the legislation will sunset on its scheduled date with little or no interest in its continuance. Why did the pilot program submerge into obscurity after all the paparazzi which accompanied the program's maiden voyage? What lessons can be learned from Oregon's five-year cruise on the 24-hour coverage charter? Navigate the following discussion to find out.

Impetus for the Legislation

A number of factors provided the impetus for the 24-hour pilot program. On the national level the Clintons' early drive to create "universal" health care coverage mandated employer-provided health coverage for all employees. Disability coverage for work-related injuries would be maintained under workers' compensation coverage. The burden of medical coverage for work-related injuries, however, would shift to group health coverage -- coverage which all employers would be required to carry. Such dramatic proposals from the White House led many states to table various ideas for consolidated group health/workers' compensation programs. By the end of 1993, five states, besides Oregon, were actively pursuing some version of 24-hour medical coverage for workers: California, Florida, Kentucky, Maine, and Oklahoma.

On the local level, several factors created the impetus for the legislation. First, in 1989 the Oregon legislature had passed an employer mandate "pay or play" law which phased in a requirement for all employers to either carry health insurance for their workers or contribute monthly payments to the State Insurance Pool Fund.³ Second, Oregon experienced dramatic increases in workers' compensation costs throughout the early 1990's. Lastly, Oregon insurers had long been looking at ways to streamline the administration of occupational and non-occupational claims; 24-hour coverage looked to be an excellent vehicle to accomplish that goal.

Overall, political trends and the bottom line led many insurers, employers, and legislators to believe that 24-hour coverage was going to be an essential component of doing business in the years ahead. A \$336,000 grant in early 1993 from the Robert Wood Johnson Foundation provided funding for the pilot program.

Pilot Program Goals

Pilot Program Goals

One goal of the pilot program was to facilitate easier access to, and better continuity of, care for the injured worker. Under the traditional separated model, the doctor whom an injured employee would see often depended on whether the injury was work or non-work related. Under a 24-hour plan, the worker would see the same pre-selected physician regardless of the injury's origin.

Another goal was to reduce the adversarial tension between the injured worker and management. Under the traditional model, work-related injuries were looked upon as black marks on both the employee and supervisor and consequently, there would often be a dispute as to where the injury arose. Ed Nieuburt, Program Director for the 24-Hour Pilot Program, elaborated on how 24-hour coverage eliminated this problem: "If you don't have to argue about where your condition started and who's to blame for it, you can get on with the care that you need and get back to work. This same idea would reduce litigation."⁴

Yet another goal of the program was to simplify administration and reduce overall costs to employers.⁵ Simplified administration would result because all bills, whether work or non-work related, would be directed to a centralized location. Centralized administration would reduce incidents of double-billing, or "double-dipping," by employees. Costs to businesses, at least in theory, would be reduced because a regulatory exemption allowed approved pilot plans to substitute the reimbursement schedules negotiated by group health plans for the standard workers' compensation fee schedule. Ultimately, this regulatory loophole would result in lower medical costs for work-related injuries.

Pilot Program Mechanics

The pilot program allowed any insurance provider -- casualty, health, or HMO -- to blend group health and workers' compensation coverage into one product. The pilot program satisfied participating businesses' legal obligations under the workers' compensation laws. Pilot plans had to be submitted and approved by July 1, 1994, and were allowed to operate for up to four years.

Pilot programs could be either "coordinated" or "integrated."⁶ Coordinated plans maintained the traditional separation between workers' compensation and group health. Integrated plans actually shifted the medical portion of workers' compensation over to the group health provider. Under a coordinated plan, when injury to the worker occurred, the worker would see a pre-selected physician from a single managed-care network of doctors and hospitals. For medical services that were later determined to be work-related, the health insurance plan would be reimbursed by the workers' compensation plan. All of the seven approved pilot programs were coordinated rather than integrated. The insurers never felt the need to go the extra distance and propose an integrated product.

Early Enrollment Plans

The first approved plans of the pilot program represented partnerships between some of the largest health and industrial providers in Oregon, including: 1) SAIF (State Accident Insurance Fund, the state workers' compensation provider) and HMO Oregon (Blue Cross group health provider); 2) EBI and PacificSource Health Plans; 3) EBI and Sisters of Providence/Selectcare; and 4) Kaiser Permanente and two self-insured employers -- Safeway, Inc. and Esco, Inc. The SAIF/Blue Cross plan enlisted nine participating employers with a total of 2,181 enrolled employees. The EBI/PacificSource plan enrolled two employers with a total of 381 employees. The Kaiser Permanente/self-insured plans enrolled 928 employees.

As previously noted, initial interest in the program on the part of providers and employers was strong, but tapered off after early 1995. Looking at the program year-by-year, 10 employers and 3,172 total employees enrolled in 1994. Five more employers with a total of 608 employees enrolled between January and May 1995. After May 1995, however, enrollments all but ceased; by early 1997, three plans were officially withdrawn by their sponsors. The hoped-for enrollment was between 10-20,000 employees, but ultimately only 3,726 employees enlisted in the program.

Why Didn't 24-Hour Coverage Catch On?

Several significant changes in the political and legal climate took the wind from the pilot program's sails. On the national level, the collapse of the Clintons' health care reform drive decreased much of the pressure on state legislatures to initiate schemes for integrated health coverage plans. On the local level, Oregon's employer mandate provision was never made into law and sunsetted on January 2, 1996. Between 1991 and 1996, Oregon also experienced an unprecedented reduction and subsequent stabilization in workers' compensation rates and premiums. Many employers, accordingly, shifted their attention away from workers' compensation and toward more pressing business concerns.

Another factor detracting insurers from the 24-hour program involved particular changes in the workers' compensation laws in 1991 and 1995 which allowed insurers to offer partially integrated group health coverage and workers' compensation outside of the pilot program. Liberty Northwest was one provider who took advantage of these new laws by offering an innovative and cost-cutting integrated health care/workers' compensation plan for mid-to-large Oregon employers outside the 24-hour pilot program.

Did Oregon Learn from the Program?

Despite the Program's acknowledged failure to establish a truly-integrated 24-hour coverage as the norm for Oregon employers, there are some positive effects of the program. First, the program showed that 24-hour coverage could actually work in real life, instead of merely on paper. Second, although there was never any true "integration" of group health and workers' compensation offered, the program did encourage cooperative ventures between carriers in fields that previously had little, if any, commercial contact. Lastly, the Program instigated reform and improvements in the administration of managed care in workers' compensation.

Conclusion

Although the 24-Hour pilot program never gained the momentum or the popularity that was anticipated at the program's inception, this shortcoming was not due to any deficiencies in the program itself but more the result of vast changes in the political and economic landscapes between the early and mid-to-late 1990's. The program is due to expire next July,⁷ yet its impact should last long after that. As Ed Nieuburt stated, "The program really accelerated the coming together of health insurers, compensation insurers, employers, agents, and brokers.... It helped foster some partnerships and some innovations, and it's these sort of things that will make the system work better."⁸

Endnotes

1. The author gratefully acknowledges the assistance of Chris Smith in preparing this article.
 2. H.B. 2285, Chapter 758, Oregon Laws 1993, temporarily codified at ORS 656.017 (1995). The Pilot Program is subject to automatic sunset provision on July 1, 1998.
 3. Chapter 38 1, 7, Oregon Laws 1989, temporarily codified at ORS 653.745 (1993). The employer mandate legislation was repealed on January 2, 1996.
 4. Ed Nieuburt, speech at RIMS Conference at the Governor Hotel, Portland (June 4, 1997).
 5. "Each pilot plan shall be designed and operated to eliminate, or minimize, differences in the delivery and administration of medical services and in the payment of medical fees for compensable and non-compensable injuries." OAR 440-25-050(l) (1994).
 6. "Coordinated plan" is defined as "a pilot plan in which compensable medical services for compensable injuries are covered by a workers' compensation plan and medical services for noncompensable injuries are covered by a group health plan and all medical services are coordinated by the two plans to achieve 24-hour coverage." OAR 440-25-030(5) (1994).
- "Integrated plan" is defined as "a pilot plan in which medical services for both compensable and non-compensable injuries are covered by: a) a single insurance policy or plan; b) a single self-funded health plan or program; or c) an integrated arrangement of coverage from a single insurance carrier or a single health care service contractor." OAR 440-25-30(9) (1994).

(1994).

7. No actions were taken by the 1997 Oregon legislature to extend the program, so it is safe to conclude that the program will sunset on July 1, 1998.

8. Ed Nieuburt, speech at RIMS Conference at the Governor Hotel, Portland (June 4, 1997).